

## EXHIBIT 5

### ESTIMATION OF TOTAL MAIL PROCESSING COST – STAMPED AND METERED LETTERS

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We examined the USPS Annual Compliance Review filings for difference in cost between metered letters and non-metered (stamp) single piece letters.

#### *Mail Processing Costs*

We reviewed publicly available 2018 Annual Compliance Report files for mail processing cost data for the stamped and metered piece letters. Specifically, we reviewed mail processing related cost data in the following reference files:

1. PRC-LR-ACR2018-1 - FY 2018 Postal Service's Product Finances
2. PRC-LR-ACR2018-3 - FY 2018 First-Class Mail
3. PRC-LR-ACR2018-8 - FY 2018 Mail Processing & Delivery Cost, and Market Dominant NSAs
4. USPS-FY18-43 - FY 2018 Market Dominant Product Incremental Costs
5. USPS-FY18-26 - FY 2018 Mail Processing Costs by Shape (Public Portion)
6. USPS-FY18-31 - FY 2018 CRA Model (Model Files, Cost Matrices, and Reports) (Public Version)

Our research found that volume variable cost is the only indicator with data for both stamped (non-metered) and metered letters. However, total mail processing costs (along with work shared costs and cost savings) for metered mail is available in the PRC-LR-ACR2018-3 reference file. (Table 1)

**Table 1. Total Mail Processing Costs, Workshare Related Costs, and Cost-Savings, 2018<sup>1</sup>**

	Total Mail Processing Unit Cost (cents)	Work Share Related Unit Costs				Work Share Related Unit Cost Savings	
		Mail Processing (cents)	Delivery (cents)	Collection (cents)	Total (cents)	Incremental (cents)	Cumulative (cents)
Metered Letters	<b>13.334</b>	13.241	5.667	2.671	21.579		
<i>Nonautomation Presort</i>							
Machinable	8.660	8.649	5.381	0.000	14.029	7.550	7.550
<i>Automation Presort</i>							
MAADC	9.437	9.425	5.419	0.000	14.844	6.735	6.735
AADC	7.392	7.380	5.093	0.000	12.473	2.371	9.106
3-Digit Letters	6.780	6.769	5.148	0.000	11.917	0.556	9.662
5-Digit Letters	4.424	4.412	4.615	0.000	9.027	3.446	12.552

We also found that the total per unit metered letter processing cost (13.334) in PRC-LR-ACR2018 matches final adjusted unit cost for metered letters in PRC-LR-ACR2018-8 (the indicator is called 'letter unit volume-variable costs with ECR volume adjustments & RF'). If 'letter unit volume-variable costs with ECR volume adjustments and RF' is equal to or can proxy for total mail processing costs, we can use this data to estimate total mail processing costs for stamped mail because PRC gives data for both single piece letters as a whole and metered letters. The steps to estimate the total mail processing costs for stamped mail are as follows:

1. Multiply total single piece letter volume by its unit cost to calculate total single piece cost.
2. Multiply single piece metered letter volume by its unit cost to calculate metered letter costs.
3. Subtract metered letters from total single piece letters to find non-metered volume and total cost.
4. Divide non-metered letter cost by volume.

We estimate that the total mail processing cost of non-metered mail is 15.663 cents. (Table 2)

**Table 2. Estimated Non-Meter Letter Per Unit Mail Processing Costs<sup>2</sup>**

	Volume (000s)	Unit Cost (cents)	Total Cost (\$000s)
Single Piece Letters	16,830,360	14.802	2,491,230
Metered Letters	6,220,746	13.334	829,474
Non-Metered Letters	10,609,615	15.663	1,661,756

<sup>1</sup> PRC-LR-ACR2018-3. PRC FY 18 FCM Letter.

<sup>2</sup> PRC-LR-ACR2018-8 - FY 2018 Mail Processing & Delivery Cost, and Market Dominant NSAs and internal analysis. This PRC file has several variations mail processing costs starting with volume variable costs (total), letter volume-variable costs with non\_NDC premium pay, volume-variable Costs with MP PiggyBacks and reconciliation ratios, and final adjusted volume-variable costs with ECR volume adjustments & RF.